



For Immediate Release
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**Floor Statement of Senator Max Baucus (D-Mont.)
Regarding the Energy Tax Package**

Mr. President, this amendment would extend and improve tax incentives for clean, renewable energy. It's good energy policy for America.

Here's the bottom line: This amendment would create thousands of new American jobs — jobs that would pay good wages. This amendment would begin the end of America's dependence on foreign oil. And this amendment gives us a chance to show America, before we go home in October, that Congress can actually work for them.

This amendment would extend and improve tax credits for wind and solar power. It would extend and improve tax incentives for building and appliance efficiency. And it would extend and improve incentives for clean coal and biofuels.

And this amendment would create new incentives for clean energy. It includes a credit of up to \$7,500 to help consumers purchase plug-in hybrid cars. It includes a breakthrough credit for the capture and storage of carbon dioxide.

And it includes a new tax incentive for what people are calling "smart meters." Smart meters provide real-time information on electricity use. And thus smart meters have proven to reduce electricity use.

This amendment would allow my home state of Montana to further develop its vast energy resources, from wind power to biofuels, from clean coal to solar power.

I have been trying to pass a version of this amendment for most of the last couple years. And I am very pleased that passage may well be at hand.

Mr. President, the last bill that extended energy tax provisions was the Tax Relief and Health Care Act of 2006. The ink was hardly dry on that law before I set out to extend and modify the energy incentives that it included.

The Finance Committee undertook a series of hearings on energy-tax policy at the beginning of last year. Our hearing topics ranged from renewable electricity to biofuels,

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from electric vehicles to carbon sequestration, from energy efficiency to clean coal technology. We heard from a wide range of experts on the need for reliable, long-term tax incentives for clean energy, and how best to invest in these incentives.

We used this input to develop a far-ranging clean-energy bill. It would have invested roughly \$30 billion over 10 years.

Our bill included long-term extensions for the wind and solar tax credits. It included long-term extensions and modifications of incentives for improved building efficiency. It included new incentives, such as favorable tax treatment for transmission lines, so we can get renewable power to the market. And it included a credit for cellulosic biofuels, which I am proud to have helped pass a couple months ago in the Farm Bill.

In keeping with the philosophy of paying-as-you-go, the Finance Committee offset the cost of that package. The offsets largely scaled back or repealed tax breaks for the long-established oil and gas industry.

We scaled back tax incentives for oil and gas companies in order to increase tax support for clean energy. Our rationale was twofold.

First, we argued that as America moves to address global warming, we should begin to provide federal support for energy that is less carbon-intensive, not more.

Second, we argued that with oil and gas prices on the rise, the oil and gas industry did not need tax incentives that it may have needed in the past. Indeed, in 2005, President Bush said, "I will tell you with \$55 oil we don't need incentives to oil and gas companies to explore." When the Finance Committee reported our bill on June 19, 2007, oil traded at more than \$69 a barrel.

We needed 60 votes to pass the bill. And the oil and gas industry lobbied hard to prevent us from reaching that threshold. We had a strong Senate majority for the Finance Committee product. But we fell three votes shy of the 60 needed to break a filibuster.

So we went back to the drawing board. We listened to the concerns from the other side that the oil and gas tax offsets were too big. We scaled back our bill. We worked with the House Ways and Means Committee to produce a package with a roughly \$20 billion price-tag — about a third smaller than our Committee-reported bill.

And the argument for our offsets grew stronger. When the Finance Committee reported its bill, a barrel of oil sold for \$69. Four weeks later, oil crossed the \$75 threshold. In October of last year, oil topped \$85 a barrel. And a month after that, oil reached \$95 a barrel.

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In December of last year, we presented our revised \$20 billion energy package to the Senate. When the Senate voted on that package, oil traded at \$92 per barrel.

Our argument swayed a couple of votes, but not enough to break 60. Despite dramatically scaled-back oil and gas tax offsets, our bill fell short by just one vote: 59 votes to 40.

So I went back to the drawing board another time. I wrote an energy tax package without oil and gas offsets.

I introduced legislation to pay for an energy-tax package by closing tax loopholes and by delaying a tax benefit for multinational corporations. These items also offset the cost of expiring non-energy tax provisions, such as the tuition deduction and the research and development credit.

I have tried to move this package for the last several months. While I dropped the oil and gas tax offsets, some still objected. We made several attempts to pass this vital legislation, with non-oil and gas tax offsets. But it did not clear the Senate.

But now energy prices are sky-high. And many more Senators have come to agree that it makes sense to scale back oil and gas tax breaks.

So Senator Grassley and I worked together to rewrite our energy tax package one more time. The package before us today is a bit more modest than it used to be. But it's still a valuable set of incentives.

It would foster clean-energy jobs, here in America. It would help us to address energy independence. And it would help us to address global warming.

Our amendment would extend the Section 45 production tax credit, for wind and biomass and geothermal. It would provide an 8-year extension of the credit for solar projects. And it would remove the \$2,000 cap on the residential solar credit, giving consumers a strong incentive to power their homes with solar power. The amendment would extend the biodiesel credit, as well as the incentive for property used to refuel alternative vehicles.

As before, today's amendment also has several new incentives. It includes the new plug-in hybrid credit — an incentive of up to \$7,500 for consumers to purchase clean-running, next-generation vehicles. The amendment includes new incentives for conservation as well — in the form of those “smart meters” and investments in recycling property.

This energy package would help move us in the right direction toward cleaner, home-grown energy.

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The amendment is offset by a series of tax provisions, both energy- and non-energy-related. For example, the amendment addresses the Section 199 manufacturing deduction for oil and gas activity. Congress passed this deduction in 2004, when oil traded at about \$50 a barrel. It's set to increase to 9 percent in 2010. Our amendment would freeze that deduction at 6 percent for oil and gas activity.

Another offset closes a loophole related to oil companies' foreign income. This provision passed the Finance Committee last year. And it would streamline and simplify reporting of income earned on overseas oil and gas activity.

Another offset is basis reporting. This provision would improve tax compliance. It would require brokers to tell their clients and the IRS the cost basis of securities sold during the year. This provision would help taxpayers to file more accurate tax returns. And it would help the IRS to more efficiently identify tax returns that are not correctly filed.

Mr. President, this amendment does not include everything that I would like. On the clean energy incentives side, I would have liked to extend the renewable production credit for a longer period. I would have liked to provide incentives for improving our electricity grid.

I would have liked a more robust set of measures to address the use of clean coal. No matter how much some people dislike coal, the fact is that we get half of our electricity from coal. We need to burn it cleanly.

As for offsets, while oil has retreated from an all-time high of nearly \$150 per barrel, the price of crude closed at \$121 a barrel yesterday. That is still a very strong incentive to explore and produce. Whether the price of oil is \$121 or \$150 — or even, as President Bush said, \$55 — it's hard to argue that oil and gas activity needs a boost from the American taxpayer. We will continue this debate in the next Congress.

This amendment does not do everything. But it would prevent vital energy tax extensions from expiring. And it would add new clean-energy incentives. We cannot start addressing global warming without a recognition that — at least for now — clean and alternative energy generally cannot compete with the fossil-based variety without at least a little help from incentive like these.

And so I urge my Colleagues to support this amendment. I urge their support to create thousands of jobs in the clean tech industry. I urge their support to help address global warming. And I urge their support to help foster greater energy independence.

Let's adopt this amendment. Let's show America that Congress can work for them. And let's finish what we have to do before the end of the session.